GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2425
ANSWERED ON:23.07.2004
SCAM IN BANKS
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Will the Minister of FINANCE be pleased to state:

(a) whether scams have taken place in various banks controlled by the Government during the last three years as on date;

(b) if so, the details thereof;

(c) the number of officers involved in each case of scam and the action taken against them; and

(d) the steps taken by the Government to prevent the recurrence of such incidents?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM)

(a) & (b) : Reserve Bank of India (RBI) has provided the following details of frauds reported by Public Sector Banks in the years 2001 to 2004:

Year	No. of Frauds	Amount Involved (Rs. in crores)
2001	1353	470.37
2002	1643	394.97
2003	2193	623.61
2004 (upto March 04)	540	112.85

(c): The details of number of officials of public sector banks found involved in frauds and action taken against them during the years 2001, 2002, 2003 and 2004 (upto March 04) are given as under:

Year	2001	2002	2003	2004 (upto March)
(1) Convicted	55	119	65	38
(2) Awarded major/ minor penalties	1686	1491	2034	526
(3) Out of (2) above, dismissed/ discharged/ removed	380	424	579	144

(d): RBI and Government have taken several measures to prevent frauds in the banking industry. Banks have been advised from time to time to strengthen the vigilance set up and introduce preventive and prohibitive measures. The functioning of vigilance system is reviewed during the course of onsite inspection. RBI as a part of its supervisory responsibility has been advising banks about common fraud prone areas and the measures to be taken by them to prevent/ reduce the incidence of frauds including frauds in computerized environment in banks. This includes introduction of a system of concurrent audit; monitoring of working of internal inspection and audit machinery at the top most level in banks; clear demarcation of duties and responsibilities of employees; periodical rotation of staff; prompt disciplinary action; intensive screening of candidates at the time of recruitment; setting up the Board for Financial Supervision. Government have also set up the Serious Fraud Investigation Office to investigate serious financial frauds.